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MT LEGISLATIVE HISTORY

Chapter 113 1989

Bill H _____ (S) 125 Original bill & hist. ___C

H. Committee on State Administration			S. Committee on State Administration		
Hearing Date(s)	Mar 02	✓ C	Hearing Date(s)	Jan 18	✓ C
		___C		Jan 23	✓ C
		___C			___C
		___C			___C
Date Out	Mar 02	✓ C		Jan 23	✓ C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

Form CS-32
Rev. 1985

STATUS SHEET

51st LEGISLATIVE SESSION

STATE ADMINISTRATION COMMITTEE

Page 2

BILL NUMBER	ENTERED COM. DATE	DATE CON-SIDERED	EXEC. ACTION DATE OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON-CURRED IN DATE	BE NOT CON-CURRED IN DATE	BE CON-CURRED IN AMENDED DATE	BE N CONCU IN AMEN DAT
SB 95	1/11/89	1/16/89 (FN) 1/20/89	1/25/89			1/25/89					
SB 19 T	re-entered 1/11/89	1/6/89	2/9/89	TABLED BY COMMITTEE							TABLED (S) ST
SB109 T	1/13/89	TABLED BY SPONSOR									WITH DR BY SA
SB110	1/13/89	1/17/89 (FN)	1/17/89	1/17/89							
SB121	1/13/89	1/18/89	1/19/89	1/18/89							EFF
SB125	1/14/89	1/19/89 (FN)	1/23/89	1/23/89							
SB 165	1/17/89	1/23/89	1/25/89	1/25/89							
SB 171	1/18/89	1/23/89	1/23/89	1/23/89							
SB 174	1/18/89	1/23/89	1/23/89	1/23/89							
SB 178	1/18/89	1/26/89 (FN) 1/24/89	2/9/89	2/9/89							
SB 185 T	1/18/89	2/17/89 (FN) TABLED BY SPONSOR	2/17/89	TABLED BY COMMITTEE							TABLE (S) ST
SB 188	1/18/89	1/24/89 (FN)	1/25/89	1/25/89							
SB 192	1/19/89	1/24/89	1/24/89	1/24/89							EFF
SB 193	1/19/89	1/24/89	1/24/89	1/24/89							

se a separate sheet for Senate Bills, House Bills, and Resolutions.

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman William E. Farrell, on January 18, 1989, at 10:00 a.m.

ROLL CALL

Members Present: Chairman William E. Farrell
Senator Hubert Abrams
Senator John Anderson, Jr.
Senator Esther Bengtson
Senator Ethel Harding
Senator Sam Hofman
Senator Paul Rapp-Svrcek
Senator Tom Rasmussen
Senator Eleanor Vaughn

Members Excused: None

Members Absent: None

Staff Present: Eddye McClure

HEARING ON SB 125

Presentation and Opening Statement by Sponsor:

Senator Dennis Nathe reported that SB125 is a bill to allow members of the Teachers Retirement System to purchase 1 year of benefits for each 5 years they teach; people teaching for 25 years can purchase 5 years. He indicated this is not an early retirement bill, it is to purchase benefits. Senator Nathe reported that, at the present time, there are provisions in the law to purchase time spent teaching out-of-state, in the military, in the Merchant Marines, Red Cross, etc. After July 1, 1989, this bill will reduce that "shopping list" to just being able to purchase 2 years for military service. At the present time only between 5% and 10% of the members in Teachers Retirement qualify for that "shopping list". This will make available to all members of the Teacher's Retirement System the option to purchase up to 5 years of eligibility towards retirement. Senator Nathe stressed that this is not an early retirement bill.

List of Testifying Proponents and What Group they Represent:

Phil Campbell, Montana Education Association
Terry Minow, Montana Federation of Teachers

Michael Lowe, past Teachers Retirement System member
David Senn, Teachers Retirement Board

Testimony:

Mr. Campbell indicated the Montana Education Association would like to go on record in support of SB125. He noted that, currently, there is a "laundry list" of credits available for people who have had out-of-state service, military service, etc. This bill will allow them to buy 1 year for every 5 years in the system. Ultimately, it will eliminate a problem of verifying these statistics. When a persons wishes to buy out-of-state teaching service, this has to be verified. Mr. Campbell noted that, from the effective date of this bill, the "laundry list" won't be available to new members in the system. He noted the current "laundry list" will have to remain intact for those people currently in the system, because benefits can not be taken away, but they are given the option to forego their rights under the "laundry list" and purchase time under this bill. Mr. Campbell reiterated Senator Nathe's statement that this is not an early retirement bill, and the credits can not be used for retirement purposes; this is only for figuring the benefits. Mr. Campbell encouraged the committee's support of SB125.

Testimony:

Ms. Minow reported the Montana Federation of Teachers supports SB125.

Testimony:

Mr. Lowe reported he is an interested citizen who was a member of the Teachers Retirement System for 21 years, and is now in business. Although this bill will not affect him, Mr. Lowe indicated he supports this bill because, if it had been in effect when he was in the system, he might still be a member and still be in education. He stated that he could see that he had an age problem and, if he did not change his career quickly, he was going to be too old to be accepted into another business. For this reason, he left the service 4 years prior to when he would have liked to. Mr. Lowe noted he has talked to many administrative groups, and they support this bill. He indicated he has always felt that, because of the "laundry list", the system is not an equal situation for people that were born and raised in Montana, and who stayed in Montana school systems. Mr. Lowe stated that someone from out-of-state could come in and benefit more than those who were here all the time, under the current system. He indicated SB125 would make the system fair and equal, and that everyone would have the same chances.

Testimony:

Mr. Senn indicated he realizes that it is difficult to explain this proposal, and he will not attempt to go into detail. He noted it is important to realize, however, that they are drawing a very fine line in the Teachers Retirement System in that members of the System prior to July 1, 1989, the effective date of this legislation, will have rights to qualify for additional service under a list that provides several different options. He noted the list has grown over a number of years, and this is the primary reason the Board is supporting this proposal; it puts an end to the growth of that list and the liabilities it creates. Each year of service that a member accrues will be 1-2/3% of the final average compensation, i.e., 30 years will be worth 50% of the final average compensation. Members of the Teachers Retirement System can retire as soon as they have accumulated 25 years retirement, without any actuarial deduction, and they would receive full benefits, which is roughly 42% of final average salary. This proposal will not allow the years that are purchased to count for that early retirement in 25 years. Members that purchase service under this provision will need to have 25 years as a contributing member to retire at any age. All years will be used in the calculation of benefits.

Mr. Senn addressed the question of what the fiscal impact of this proposal on the Teachers Retirement System would be. He reported members will be able to purchase 1 year after their 5th, 10th, 15th, 20th and 25th year of service. In addition, they will also be eligible to purchase 2 years for military service. Years purchased would not count for eligibility for early retirement, but would be used in the calculation of benefits. The cost to purchase each year of service, assuming the service is purchased as soon as the member is entitled, would be the combined employee and employer contribution rate, which is currently 14.472%. If a member does not purchase the service as soon as eligible, interest would accrue until paid at the rate of 8% per annum. The full cost of additional service under this proposal is paid by the member receiving the benefit. Based on these assumptions, this proposal will not impact the financial soundness of the Teachers Retirement System.

Mr. Senn distributed a breakdown of the current system, and the proposed system. A copy of this document is attached as Exhibit 5. Mr. Senn noted a typographical error in the amount of service a member may purchase for Leave Service under Current Law. The correct number should read 2 instead of 5. He reviewed the document with the committee members, and noted categories of service credit will still exist for current members who own those rights, but these will not be available to future members. All members will have available 2 years

of military and 5 years of additional. Current members who take advantage of this must waive the rights they currently own. If a member has purchased 1 year of out-of-state teaching service, and wishes to purchase 4 years under the new provision, they will be asked to waive that right to purchase that 1, and all other rights under the current laws if they own any. The amount paid to purchase that 1 year will be applied toward the cost to purchase as many as they may be eligible for under the new proposal. This will maintain full funding for the system, and give members the opportunity to take full advantage of this proposal. Mr. Senn then noted the cost, under the current law, runs as high as 14.472%. In the past, the member was only required to pay the employee contribution, which has been as low as 5%, but there were some instances where out-of-state teaching service was granted free. There is free military service for WWII, the Korean Conflict and the Vietnam Conflict. The provision for free military service will not be changed. The actuarial cost to provide each year of service the member purchases, under our current law where this service counts for eligibility for early retirement, is 34.9%. The system is currently subsidizing the cost for each year the member purchases. The member pays as much as 14.4%, but the true cost is 34.9%.

Mr. Senn noted that the proposed law would wipe the slate clean, allow only current members to purchase under these provisions, taking it away from all the new hires, and they will be able to keep the cost of the combined employee/employer rate at 14.472%. Mr. Senn closed by stating it will require 1/2 FTE to administer this provision, and he was notified by the Governor's office that they are opposed to any program increases and, for that reason, would oppose this legislation. They are not opposed to the provisions, only to the program increases.

Questions From Committee Members:

Q. Senator Harding asked if members can buy 5 years after they have taught for 25 years, without it affecting the military service buy back.

A. Mr. Senn responded that is correct.

Q. Senator Harding further asked if everyone can buy 5 years after 25 years of service, and none of the others would be above that, except the military service.

A. Mr. Senn responded that is correct.

Q. Senator Rapp-Svrcek asked Mr. Senn if the system now states that a teacher can retire after 25 years without

any loss of benefit, what do they gain by being able to purchase 5 more years.

A. Mr. Senn responded the benefit after 25 years of service is approximately 42% of their average final compensation. After 30 years, the benefit is 50% of the average final compensation. At 25 years, they can retire regardless of age. Persons retiring with less than 25 years must be at least age 50, and there will be a reduction in the monthly benefit.

Q. Senator Rapp-Svrcek indicated that he is concerned about removing private teaching and the Montana Cooperative Extension Service from this. He indicated both are services to Montana citizens and, should people who work in those areas move into the TRS, why should they not be able to use that service for retirement benefit.

A. Mr. Senn responded that the Montana Cooperative Extension Service was added to the list last session. Testimony at that time indicated only 2 people in the Teachers Retirement System would be affected by that provision. These people were covered under the Federal Civil Service Retirement System, but the federal program was dropped. These people were picked up by the state and became members of the Teachers Retirement System. As to the private teaching service, they also would still be eligible to pick up as much as 5 years, providing they are members of the Montana TRS.

Mr. Campbell added that what they are trying to avoid is the current list getting longer. Mr. Campbell cited an example of a person working in the Job Corp for 5 years, who is not currently eligible for these benefits. This new provision would provide that all people who are members of the Teachers Retirement System would have the opportunity to become eligible to purchase these additional years of service.

Q. Senator Harding asked if more can be added, after effective date.

A. Mr. Campbell responded there would be no need to add any more. They would all be covered under the 5 years.

Q. Senator Bengtson asked Mr. Senn if members would pay accumulated interest if they purchase all 5 years at the end of 25 years service.

A. Mr. Senn responded that is correct. The retirement benefits will be increased by 1-2/3% for each year.

Q. Senator Bengtson asked if there was a retroactive clause for people that have taught for 25 years, and are retired now.

A. Mr. Senn responded no, there is not.

Q. Senator Anderson asked how much would the additional 1/2 FTE amount to.

A. Mr. Senn responded that a 1/2 FTE at grade 10 is $9,700 per year. In addition to the 1/2 FTE, they have also requested $5,000 to make the changes in the computer system that will be necessary.

Q. Senator Hofman asked how many people are in private teaching, and where are they presently teaching.

A. Mr. Senn indicated he could not answer how many people, but their calculations show it would be very few people that are affected.

Q. Chairman Farrell indicated that Mr. Senn stated this does not affect the actuarial soundness of the system, and asked if that is due to the 8% per annum they will charge.

A. Mr. Senn responded no.

Q. Chairman Farrell asked if the Teachers Retirement System draws interest for the 5 years before the member pays for the purchase of additional service.

A. Mr. Senn responded that, once they complete 5 years, their cost will be their salary times the current rate, 14.5%. The policy is that they have a year from the date of eligibility to pay those contributions before interest is accrued. Interest will accrue on the unpaid balance at the rate of 8%. Installment payments can be made, also.

Q. Chairman Farrell further asked if they are assuming that everyone will, after 5 years, purchase 1 year, or will they teach 25 years and purchase 5 years after that.

A. Mr. Senn indicated it was safe to assume that the majority of people will wait a few years. Under the new proposal, they believe more people will purchase in increments.

Q. Chairman Farrell then asked if the unfunded liability will increase or decrease, and further asked if the Teacher Retirement System is fully funded.

A. Mr. Senn responded that the amortization period is 36.5 years, which is approximately $1 billion they are amortizing over the next 36.5 years. This will have no impact on those years; will not increase the unfunded liability amount. The members will pay the full cost at the combined rate. If they don't pay it right away, the cost starts to go up. Mr. Senn indicated they evaluated what it would cost someone to buy 5 years, after they completed 25 years. The cost was around 20%. They then looked at what it would cost to spread that out, and start getting money into the system. That is how they came up with the combined rate. If they pay cash, that is all they will pay. If they wish to hold the money and earn the interest on it, then they will have to pay the system the interest.

Q. Senator Bengtson asked, if a person chooses after 5 years to spread the payment over the next 5 years, is the interest variable, or is it locked in.

A. Mr. Senn responded it is locked in.

Q. Senator Bengtson then asked about default; would a person having paid for 4 years lose all in a default.

A. Mr. Senn indicated that, if a person could not afford pay any more, they would allocate the dollars they have paid to whatever portion paid at the time. If something happens to them, they will offer the option to the beneficiary.

Q. Senator Bengtson asked about notification and communication. Are they billed and then, on defaults, warning letters are sent.

A. Mr. Senn responded that their policy is payment has to be made prior to processing the application. The annual statement communicates what the balance due is to purchase the type of service they are interested in.

Q. Chairman Farrell asked, based on the Governor's comments, do they feel they can survive without the 1/2 FTE.

A. Mr. Senn responded they do not feel they can survive without the 1/2 FTE, and anticipate this need will double. He indicated the 1/2 FTE was conservative.

Closing by Sponsor:

Senator Nathe indicated this bill would not be a cost to the general fund or the taxpayer in any way. The teachers who are

members of the TRS are bearing the full cost for something they would like to see put in place. It has a lot of advantages in that it does away that "laundry list", and stops the possibility of it growing. Senator Nathe stated he believes it is a good piece of legislation.

Chairman Farrell announced the hearing on SB125 as closed.

HEARING ON SB 121

Presentation and Opening Statement by Sponsor:

Senator Greg Jergeson addressed the honorable and meritorious members of the committee, and announced that he is the chief sponsor of SB121.

Senator Jergeson stated he stands before the committee as a Senator who believes four-square in merit. He indicated it may seem ironic or, indeed, without merit for one who believes in merit, to introduce and support a bill to repeal the merit system. Nevertheless, he noted, this bill has considerable merit. The District Court found that the merit system lacked constitutional merit. Apparently no one has seen merit in appealing the District Court finding of no merit to the Montana Supreme Court, to see whether they find the merit system to have merit. The time for which an appeal could be made is long past, and the Supreme Court would, in fact, find an appeal to have no merit in and of itself, without getting into the issue of itself. So it is that the Legislative Audit Committee found merit in recommending repeal of the merit system and that recommendation merited unanimous committee approval. Many of Senator Jergeson's constituents have suggested the merit of repealing existing statutes which no longer have merit, and representing constituent desires has considerable merit, which certainly merits our attention. Senator Jergeson indicated he hopes the committee finds merit in repealing the merit system. He noted he would be pleased to report the committee has seen the merit of a do pass on SB121. Senator Jergeson then indicated John Northy, a member of the Audit Committee staff, has seen the merit of appearing here this morning, and would answer any questions which this committee feels merit an answer.

List of Testifying Proponents and What Group they Represent:

John Northy, Legislative Auditor's Office

Testimony:

Mr. Northy stated this bill is an out-growth of their last audit with the Department of Administration and, in doing

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: January 18, 1989

NAME	PRESENT	ABSENT	EXCUSED
HUBERT ABRAMS	✓		
JOHN ANDERSON, JR.	✓		
ESTHER BENGTSON	✓		
WILLIAM E. FARRELL	✓		
ETHEL HARDING	✓		
SAM HOFMAN	✓		
PAUL RAPP-SVRCEK	✓		
TOM RASMUSSEN	✓		
ELEANOR VAUGHN	✓		

SENATE STATE ADMIN.
EXHIBIT NO. 1
DATE 1/18/89
BILL NO. SB125

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Phil Campbell

DATE: 1-18-89

Address:

Phone:

Representing whom?

MEA

Appearing on which proposal?

SB125

Do you: SUPPORT? X AMEND? ____ OPPOSE? ____

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

EXHIBIT NO. 2
DATE 1/18/89
BILL NO. SB125

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Terry Minow

DATE: 1-18-89

Address: Box 1245
Helena

Phone: 442-2123

Representing whom? Montana Education of Teachers

Appearing on which proposal? SB 125

Do you: SUPPORT? X AMEND? ____ OPPOSE? ____

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.
EXHIBIT NO. 3
DATE 1/18/89
BILL NO. SB125

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Michael A. Lowe

DATE: 1/18/89

Address: 2780 Arcabide Lane
Missoula, MT

Phone: 251-4902.

Representing whom?
Past TRS member.

Appearing on which proposal?
SB 125 Proponent

Do you: SUPPORT? ✓ AMEND? ____ OPPOSE? ____

Comments:

Simplifies process.
Equalizes process.
Limits additional individual
items on current laundry list.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

EXHIBIT NO. 4
DATE 1/18/89
BILL NO. SB125

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: David Senn

DATE: 1-18-89

Address: 1500 6th
Helena

Phone: 444-3134

Representing whom? Teachers Retirement Board

Appearing on which proposal? SB 125

Do you: SUPPORT? ✓ AMEND? ____ OPPOSE? ____

Comments:

see exhibit 5

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.
EXHIBIT NO. 5
DATE 1/18/89
BILL NO. SB125

Teachers' Retirement System
Senate Bill 125

Bill Title

"An act permitting vested members of the Teachers' Retirement System to purchase additional service for the purpose of calculating their retirement allowance, limiting the types of service credit that members may purchase, revising provisions regarding the purchase of service credit for service in the military, Red Cross or Merchant Marines, amending sections 19-4-402, 19-4-403, 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804 and 19-4-902 MCA and providing an effective date."

Comparison of years of service a member is eligible to purchase under the current law and the proposed law.

	YEARS A MEMBER MAY PURCHASE	
SERVICE CREDIT	CURRENT LAW	PROPOSED LAW
Military Service	2	2
Out-of-State	5	
Leave Service	5	
Private Teaching	5	
Montana Coop. Ext.	5	
Worker Comp.	2	
Additional Service	NA	5
TOTAL	5*	7
COST PER YEAR OF SERVICE		
Maximum Contribution	14.472%**	14.472%
Minimum Contribution	5%**	NA
Actuarial cost of service	34.9%	14.472%

* Member after July 1 1973 may not purchase more than 5 years service in any combination.

** Under current law the contribution rate for members after July 1, 1979 is based upon the combined employee and employer rates in effect when the member is eligible to purchase service. This rate will vary form 10.375% to 14.472%. For member prior to July 1, 1979 the rate is based upon the employee contribution rate only. This rate will vary from 5.0% to 7.044%

Rec'd by Cady [illegible] after hearing was closed [illegible]

STATE ADMINISTRATION COMMITTEE

SB 125
1/18/89

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: School Admin of MT
Jesse N. Long

DATE: 1/18/89

Address: 515 N Sanders
Helena

Phone: 442-2510

Representing whom?
School Admin of MT

Appearing on which proposal?
SB 125

Do you: SUPPORT? ✓ AMEND? ____ OPPOSE? ____

Comments:
This legislation does not impact the unfunded liability of the TRS which is a prime concern to SAM.
TRS needs additional FTE for the efficient operation and application of this important benefit for administration.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

DATE: January 18, 1989

NAME	REPRESENTING	BILL #	Support	Oppose
[illegible]	TRB	SB 125	✓	
Michael Lowell	Citizen	SB 125	✓	
[illegible]	Leg. Auditor	SB 127	✓	
Eric Feaver	MEA	SB 125	✓	
[illegible]	MCA	SB 125	✓	
Jerry Minow	MFT	SB 125		
[illegible]	SAM	SB 125	✓	

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

that person as a deputy administrator or division administrator. He indicated this gives a signal to the career State employee that he can accept a promotion as division administrator or deputy department director, and not have to assume that the next time the administration changes, his career may be wiped out forever because his job will be lost to political patronage. Senator Brown further indicated that this bill protects those people, and makes it possible for them to get promoted to that point, but it still gives the new Governor the flexibility to change the people in politically sensitive positions he wants to change.

Chairman Farrell announced the hearing on SB165 as closed.

DISPOSITION OF SB 165

Discussion:

Senator Bengtson offered the motion that SB165 do not pass. Senator Rapp-Svrcek asked that the committee not take executive action on SB165 at this time, and Senator Bengtson withdrew her motion.

OTHER BUSINESS
SB 125

Discussion:

Senator Harding offered a motion that SB125 do pass. She indicated the bill would not cut down on the retirement, that they still have to work the 25 years, but are allowed to buy back 1 year for every 5 years. Senator Bengtson asked if there was a grandfather clause in the bill. Senator Harding asked if she was referring to the one in Section 3 on page 4, and Senator Bengtson replied yes.

Recommendation and Vote:

Motion passed by the committee that SB125 do pass.

HEARING ON SB 174

Presentation and Opening Statement by Sponsor:

Senator Dorothy Eck indicated that SB174 was requested by local landscape architects, and it does not change the membership of the Board of Landscape Architects, but provides that a public member does not necessarily have to be the chairman of the committee. She noted it is not a general

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: January 23, 1989

NAME	PRESENT	ABSENT	EXCUSED
HUBERT ABRAMS	✓		
JOHN ANDERSON, JR.	✓		
ESTHER BENGTSON	✓		
WILLIAM E. FARRELL	✓		
ETHEL HARDING	✓		
SAM HOFMAN	✓		
PAUL RAPP-SVRCEK	✓		
TOM RASMUSSEN			✓
ELEANOR VAUGHN	✓		

SENATE STANDING COMMITTEE REPORT

January 23, 1989

MR. PRESIDENT:

We, your committee on State Administration, having had under consideration SB 125 (first reading copy -- white), respectfully report that SB 125 do pass.

DO PASS

Signed: _____
William E. Farrell, Chairman

W.C.
1/23/89
2:36 p.m

scrsb125.12

Form CS-32
Rev. 1985

STATUS SHEET

51st LEGISLATIVE SESSION

STATE ADMINISTRATION COMMITTEE

BILL NUMBER	ENTERED COM. DATE	DATE CON-SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON-CURRED IN DATE	BE NOT CON-CURRED IN DATE	BE CON-CURRED IN AMENDED DATE	BE NOT CONCURRED IN AS AMENDED DATE
SB 9	2-21-89	3-10-89	3-10-89						3-10-89		
SB 11	2-21-89	3-3-89	3-03-89					3-03-89			
SB 41	2-21-89	3-3-89	3-03-89					3-03-89			
SB 53	2-21-89	2-28-89	2-28-89					Put on Consent Calendar 2-28-89			
SB 60	2-22-89	2-14-89	2-14-89					2-14-89			
SB 75	2-21-89	3-1-89	3-1-89					Consent Calendar 3-1-89			
SB 86	2-21-89	3-09-89	3-10-89						3-10-89		
SB 95	2-21-89	3-09-89	3-10-89					3-10-89			
SB 110	2-21-89	3-1-89	3-1-89					Consent Calendar 3-1-89			
SB 114	2-21-89	2-28-89	Tabled 3-01-89								
SB 121	2-21-89	2-28-89	3-07-89					2-28-89			
SB 125	2-21-89	3-2-89	3-02-89					3-02-89			
SB 152	2-22-89	Referred to Appropriations									
SB 171	2-22-89	3-7-89	Tabled 3-07-89								

Use a separate sheet for Senate Bills, House Bills, and Resolutions.

Closing by Sponsor: Sen. Boylan said the bill is actuarially sound, and that is the most important part. He thanked the Committee. Sen. Boylan said he did not have anyone to carry the bill in the House if it passed out of the Committee.

DISPOSITION OF SB 194

Motion: Rep. Cocchiarella moved that SB 194 BE CONCURRED IN.

Discussion: Chairman Brown asked Lois Menzies if this bill would conflict or overlap with any other bill that we have acted on this session. Lois Menzies said that if this bill passes and the other bill that amends this section passes, the two bills will be reconciled in codification so that they don't conflict.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED with Rep. Campbell voting no. Rep. Spring will carry SB 194 in the House.

HEARING ON SB 125

Presentation and Opening Statement by Sponsor: Sen. Dennis Nathe, Senate District 10, introduced the bill. He said that this bill permits a member of the Teachers' Retirement System to purchase up to five years of service. This bill would give teachers an option to purchase one year for every five years that they have taught. So at the end of 25 years, they could have 30 years of retirement and retire at 50 percent of their salary. Rep. Nathe said that the bill was actuarially sound, and it should help the unfunded liability in the Teachers Retirement System.

Testifying Proponents and Who They Represent:

David Senn, Executive Secretary, Teacher's Retirement Board

Eric Feaver, Montana Education Association

Terry Minow, Montana Federation of Teachers

Proponent Testimony:

DAVID SENN, representing the Teacher's Retirement Board, presented a report comparing the years of service a member is eligible to purchase under the current law and the proposed law (Exhibit 1) and written testimony (Exhibit 2).

ERIC FEAVER, representing the Montana Education Association, said, "We rise in support of SB 125. We are delighted this

bill is before you. It is one of the nicest planks that this Legislature can do for members of the Teachers' Retirement System. It is a matter of equity. There are teachers who will never be eligible to purchase creditable service or, in this case, service benefits. Nearly every legislative session we have had somebody come in and say, the service that I performed elsewhere, under these circumstances ought to allow me to buy benefits in this system. This Legislature has consistently said yes, that seems fair to us. This bill should eliminate that continual parade of requests to make benefits apply to some persons that currently do not apply to all. So we hope you will give it a strong consideration just on the basis of equity. Those that are currently eligible to purchase service will be "grandfathered," but they also can exercise this option." He urged the Committee's support.

TERRY MINOW, representing the Montana Federation of Teachers, said, "We also rise in support of SB 125. Sen. Nathe and Dave Senn have done a good job of describing the bill. It is a fair bill. It is a fully funded bill. The bill offers an option to members to improve their retirement benefits. . . . This bill is very similar to the one the Committee has already passed out, HB 235. We urge that you give this bill a do pass consideration."

Testifying Opponents and Who They Represent: None

Questions From Committee Members:

REP. WHALEN asked if the teachers serving in the Legislature would be allowed to purchase employment while on leave. Mr. Senn said that teachers and PERS members who become legislators have a very unique right to maintain their membership within their existing system. Teachers may also acquire credit in PERS for their time in the Legislature.

REP. ROTH asked if a teacher retired at half salary after working 30 years, would be allowed to buy an additional five years. The additional purchase would allow him/her to retire at 35/60th of his/her salary. Mr. Senn said "that is correct."

Closing by Sponsor: Sen. Nathe said he wanted to point out that a teacher with 30 years of service would buy those additional five years at his own expense. This would involve no cost to the school district or the state. Sen. Nathe said he did not have anyone in the House to carry this bill.

DISPOSITION OF SB 125

Motion: Rep. Roth moved SB 125 BE CONCURRED IN.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously. Rep. Davis will carry the bill in the House.

HEARING ON SB 346

Presentation and Opening Statement by Sponsor: Sen. Bob Brown, Senate District 2, introduced the bill. This bill permits a member of the Teachers' Retirement System to qualify teaching service performed outside the United States in a federal or other public or private school or institution as creditable service under the retirement system. Furthermore, the bill permits a member of the Teachers' Retirement System who has five or more years of creditable service to qualify up to two years of employment while on leave after completing one year (rather than five years) of teaching service in Montana upon his or her return.

Sen. Brown said that this bill was introduced as a result of an Attorney General's opinion. Prior to 1970 or 1971, when the law was amended, it was possible for teachers to do what this bill proposed to do. Recently the Attorney General's opinion interpreted the law to mean that if a teacher teaches out of the country or overseas, he/she cannot buy back into the Teachers' Retirement System the time that he earned teaching out of the country. This bill would allow the teacher to do that. It would also make it possible for a teacher to only teach one year after returning before they were eligible to purchase service.

Testifying Proponents and Who They Represent:

Eric Feaver, Montana Education Association

Terry Minow, Montana Federation of Teachers
Mary L. Harrington, Assistant Administrator, Teachers' Retirement Board

Proponent Testimony:

ERIC FEAVER, representing Montana Education Association, said, "We are in support of SB 346. It does pretty much what Sen. Brown said it does. In part, it is here because SB 125 is not already the law in this state. It is one of those inequities that exists that depending upon where you may have performed your professional service in another area, you can't purchase creditable benefits or you can purchase. In this case, teachers who taught at Department of Defense schools overseas, are not eligible to purchases service benefits for having done so. SB 346 would then add, in

DAILY ROLL CALL

STATE ADMINISTRATION COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date March 2, 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Jan Brown, Chairman	✓		
Rep. Helen O'Connell, Vice Ch.	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Ervin Davis	✓		
Rep. Floyd "Bob" Gervais	✓		
Rep. Janet Moore			✓
Rep. Angela Russell	✓		
Rep. Carolyn Squires	?		
Rep. Vernon Westlake	✓		
Rep. Timothy Whalen	✓		
Rep. Bud Campbell	✓		
Rep. Duane Compton	✓		
Rep. Roger DeBruycker	✓		
Rep. Harriet Hayne	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Rande Roth	✓		
Rep. Wilbur Spring, Jr.	✓		

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STANDING COMMITTEE REPORT

March 2, 1989

Mr. Speaker: We, the committee on State Administration report that SENATE BILL 125 (blue reference copy) be concurred in.

Signed: Jan Brown
Jan Brown, Chairman

[REP. DAVIS WILL CARRY THIS BILL ON THE HOUSE FLOOR]

EXHIBIT 1
DATE 3-02-89
SB 125

Teachers' Retirement System
Senate Bill 125

Bill Title

"An act permitting vested members of the Teachers' Retirement System to purchase additional service for the purpose of calculating their retirement allowance, limiting the types of service credit that members may purchase, revising provisions regarding the purchase of service credit for service in the military, Red Cross or Merchant Marines, amending sections 19-4-402, 19-4-403, 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804 and 19-4-902 MCA and providing an effective date."

Comparison of years of service a member is eligible to purchase under the current law and the proposed law.

	YEARS A MEMBER MAY PURCHASE	
SERVICE CREDIT	CURRENT LAW	PROPOSED LAW
Military Service	2	2
Out-of-State	5	
Leave Service	2	
Private Teaching	5	
Montana Coop. Ext.	5	
Worker Comp.	2	
Additional Service	NA	5
TOTAL	5*	7
COST PER YEAR OF SERVICE		
Maximum Contribution	14.472%**	14.472%
Minimum Contribution	5%**	NA
Actuarial cost of service	34.9%	14.472%

* Member after July 1 1973 may not purchase more than 5 years service in any combination.

** Under current law the contribution rate for members after July 1, 1979 is based upon the combined employee and employer rates in effect when the member is eligible to purchase service. This rate will vary form 10.375% to 14.472%. For member prior to July 1, 1979 the rate is based upon the employee contribution rate only. This rate will vary from 5.0% to 7.044%

EXHIBIT 3
DATE 3-02-89
SB 125

SB 125

TEACHERS' RETIREMENT BOARD TESTIMONY
David L. Senn
March 2, 1989

This bill will allow members of the Teachers' Retirement System to purchase one year of additional service for each five (5) years of membership service for the purpose of calculating retirement allowances. Members will also be eligible to purchase up to two (2) years of military service. This proposal will be the only avenue under which members of the system after July 1, 1989, may qualify additional service. They will not be eligible to purchase service for out-of-state teaching, private teaching, service while on leave, Montana Cooperative Extension service and leave due to employment related injury. Members prior to July 1, 1989, will be allowed to purchase service under this provision provided they waive their eligibility to purchase creditable service under any of the existing statutory provisions, for out-of-state teaching service, service while on leave, private teaching service, Montana Cooperative Extension Service, and leave due to employment related injury. They will not be affected by this proposal unless they elect to waive their current eligibility.

Members of the Teachers' Retirement System have always been allowed to purchase service credits. Since benefits are a product of only two factors, years of service and salary, it is generally to the members advantage to purchase as much service as possible. How much a member must pay to purchase service has varied over the past several years from free, to the employee contribution rate, to the combined employee and employer contribution rate and the amount of service that a member may purchase has also varied from ten (10) years, to five (5) years, to as little as two (2) years. The cost has increased and the number years a member may purchase has decreased over the last several years, primarily to help provide for adequate funding of the retirement system. This proposal is one more step toward providing for adequate funding, but it also affords more members the opportunity to purchase additional service, thus enhance their montly retirement benefit.

Under the current laws, any additional service a member may purchase qualifies toward early retirement. What does this mean? Under the provisions of the Teachers' Retirement System a member may retire at any age with a minimum of 25 years of creditable service. For example: A member who has contributed to TRS for 20 years and purchased 5 years of creditable service would be eligible to retire at any age without an actuarial deduction. Under this proposal, any additional service purchased would not qualify for early retirement. For example: A member with 20 years of membership service and 5 years of additional service would have to be at least age 50 to retire. They would not qualify for retirement at any age with 25 years of service.

What are the advantages to this proposal? Approximately 10% of

the TRS members are purchasing service under one or more of the current statutory provisions. This proposal will allow all members to purchase additional service. This proposal will not affect current or future members' rights to qualify military service at no cost. Members with 25 years of service would be eligible to qualify an additional 5 years of membership service and thus, retire with a benefit equal to 50% of average final compensation.

Financial Impact

Under this proposal a member could purchase two (2) years of military service and five (5) additional years of service, one after each 5, 10, 15, 20 and 25 years of employment with the Teachers' Retirement System. The service purchased would not count toward eligibility for early retirement, but would be used in the calculation of a members benefit. Under these conditions, the cost to purchase each year of service, assuming the service is purchased as soon as the member is entitled to purchase the credit, would be the combined employee and employer contribution rates under the system. If a member did not purchase the service as soon as they were eligible, interest would accrue from the date of eligibility until paid at the rate of 8% per annum. The full cost of qualifying additional service under this act is paid by the member. Based on these assumptions, this proposal will not impact the financial soundness of the Teachers' Retirement System.

We ask that you concur in this proposal with a do pass recommendation.
Thank you.

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

BILL NO. SB 125 DATE March 2, 1989

SPONSOR SEN. NATHE

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
David Senn	Teachers' Retirement	X	
Dennis Willis	Myself		
Dennis A. [illegible]	Senator	X	
Jerry [illegible]	MET	X	
Eric [illegible]	MEA	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

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